

**ALAMEDA COUNTY TRANSPORTATION COMMISSION**  
**AUDIT PLANNING COMMUNICATIONS AND FRAUD CONSIDERATIONS MEMO**  
**For The Year Ended June 30, 2016**

Audit standards require the auditor to communicate with the audit committee certain matters related to the audit:

- *Scope of the Audit and schedule of the audit*
- *Fraud Consideration*

***Audit Scope***

Audit scope generally includes the following items based on risk assessments made by the auditor:

- We performed a risk assessment and determined that we will perform the following additional audit procedures:
  - Review of the procurement process, the invoice review process and the payment process.
  - Controls over the new IT system to ensure proper accounting for financial transactions and proper safeguards of the Alameda County Transportation Commission's (Agency) assets.
- We will obtain an understanding of the design and implementation of the internal controls over significant account balances as well as significant processes within the Agency. The test of design includes the following:
  - Cash and related receipts and disbursements
  - Revenues and related receivables
  - Expenditures and related payables and payroll
  - Investments and related compliance requirements with the Agency's policies along with California Government Code
- We will also perform test of account balances using substantive procedures which includes:
  - Analytical procedures
  - Confirming investment and debt balances with trustees or custodians
  - Confirming receivables with granting agencies
  - Assess the accounting principles used and significant estimates made by management
  - Confirm contingencies with legal counsel
  - Debt and compliance with debt covenants
- Perform compliance tests for the following:
  - Certain Government code provisions applicable to congestion management agencies and agencies receiving sales tax.
  - Single Audit Act—Compliance over the laws, regulations, and provisions of Federal grants along with the changes as a result of adopting the Uniform Guidance.

- Financial Statement preparation
  - We will review the Agency's financial statements to ensure they comply with the reporting requirements (GASB and GFOA).

### ***Audit Timing***

We have discussed with staff and agreed on the following schedule:

- Interim audit fieldwork: two weeks in late June.
- Final audit fieldwork: Two weeks commencing in September.

### ***Audit Exit***

- We will discuss audit adjustments, if any.
- Present control and compliance findings and recommendations.
- Provide required communications at the conclusion of the audit (AU-C 260 letter).

### ***Management Representations***

We will request representations from management that data and assertions provided are complete and accurate. We rely primarily on our audit as a basis for our opinion.

### ***New Accounting Pronouncements***

- GASB Statement No. 72, *Fair Value Measurement and Application*. This pronouncement will have a minor impact on the Agency's financial statements. This pronouncement requires additional disclosures of the Agency's measurement of market value of the investments.
- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits (OPEB) Other Than Pensions*. This pronouncement will have some impact on the Agency's financial statements. Previously, the liability was reported using a 30 year amortization of the unfunded liability. Under the new rule, governments must record the entire liability on the financial statements.

***Fraud Considerations:*** AU-C Section 240, *Consideration of Fraud in a Financial Statement Audit*.

"Fraud" is defined as an intentional act that results in a *material misstatement in the financial statements* that are subject to audit. Fraud includes two concepts; fraudulent financial reporting and misappropriation of assets.

As part of the audit, we make certain inquiries regarding the risk or knowledge of fraud.